

IRS News Release

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IRS Certifies Ford and Mercury Hybrid Vehicles for the Clean-Fuel Deduction

IR-2005-132, Nov. 7, 2005

WASHINGTON — The Internal Revenue Service has certified the model year 2006 Ford Escape Hybrid and the 2006 Mercury Mariner Hybrid vehicles as being eligible for the clean-burning fuel deduction. This certification means that taxpayers who purchase one of these hybrid vehicles new during calendar year 2005 may claim a tax deduction of up to \$2,000 on Form 1040.

Under the current law, the clean-burning fuel deduction is limited to up to \$2,000 for certified vehicles first put into service in 2005. Federal law allows individuals to claim a deduction for the incremental cost of buying a motor vehicle that is propelled by a clean-burning fuel. By combining an electric motor with a gasoline-powered engine, these hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

This one-time deduction must be taken in the year the vehicle is originally used. The taxpayer must be the original owner. Individuals do not have to itemize deductions on their tax return to claim this deduction. This benefit can be taken as an adjustment to income on the Form 1040.

The amount of the deduction for the Ford Escape Hybrid and the Mercury Mariner Hybrid was set after the manufacturer, Ford Motor Company, documented for the IRS the incremental cost related to the vehicles' electric motor and related equipment.

The deduction for the purchase of a hybrid vehicle expires on December 31, 2005 under Section 1348 of the Energy Act of 2005. The deduction has been replaced by a tax credit found in Section 1341 Alternative Motor Vehicle Credit, also of the Energy Act of 2005.

A complete list of vehicle models that have been certified for the clean-burning fuel deduction can be seen on the IRS web site at IRS.gov.